**Order to Cash (O2C) Business Process Description – NextTech**

**1. Introduction**

The **Order to Cash (O2C)** process at NextTech is a critical end-to-end workflow that manages customer orders, fulfillment, invoicing, and payment collection. As a smart manufacturing company offering automation systems and digital twin SaaS, NextTech relies on a seamless O2C process to ensure timely delivery, accurate billing, and strong customer relationships.

The O2C process integrates multiple enterprise systems, including **SAP S/4HANA (ERP), Salesforce (CRM), ServiceNow (ITSM), and Microsoft Azure (analytics & hosting)**, to ensure efficiency, compliance, and real-time visibility.

**2. Key Objectives**

* Ensure accurate and efficient order processing
* Maintain high customer satisfaction through timely delivery and invoicing
* Minimize revenue leakage and billing errors
* Optimize cash flow through efficient collections
* Provide real-time reporting and analytics for decision-making

**3. Process Steps**

**3.1 Order Creation & Validation**

The Order to Cash process begins when a B2B customer submits a purchase request through NextTech’s web portal, email, or directly via **Salesforce CRM**. The sales team reviews the inquiry and prepares a formal quotation, detailing pricing, delivery schedules, and contractual terms. Once the customer approves the quotation, the order is formally logged into **SAP S/4HANA**, where an automated validation process begins.

Within SAP, the system performs several critical checks, including **credit verification** (ensuring the customer’s credit limit is sufficient), and **regulatory compliance** (particularly for cross-border EU transactions). Inventory availability is checked manually by a warehouse clerk. If the order passes all validations, it is automatically approved and moves to the fulfillment stage. However, if issues arise—such as insufficient stock or credit holds—the system flags the order for manual review. The sales team is then notified to resolve discrepancies, either by adjusting terms, securing additional inventory, or coordinating with finance for credit extensions.

**3.2 Order Fulfillment**

Once an order is validated, the fulfillment phase begins. For **smart automation systems** (physical products), SAP triggers production scheduling, ensuring that manufacturing aligns with delivery commitments. The system also checks component availability and, if necessary, automatically generates procurement orders for raw materials. Meanwhile, for **digital twin SaaS subscriptions**, the order activates a provisioning workflow in **Microsoft Azure**, where the customer’s account is configured, and access credentials are generated.

Logistics play a crucial role in this stage. For hardware shipments, the warehouse team receives pick-and-pack instructions from SAP, while the system automatically assigns carriers based on cost and delivery timelines. Shipping details, including tracking numbers, are recorded in SAP and shared with the customer via automated email notifications. For SaaS deliveries, Azure’s integration with SAP ensures that service activation is seamless, with customers receiving onboarding materials and login instructions immediately after purchase.

**3.3 Billing & Invoicing**

Billing is initiated as soon as fulfillment is confirmed. For physical products, SAP generates an invoice upon shipment confirmation, whereas SaaS subscriptions follow a recurring billing model, with invoices issued at the start of each billing cycle. The invoicing process is fully automated, with SAP applying pre-negotiated pricing terms, taxes (adjusted for EU cross-border VAT rules), and any applicable discounts.

Invoices are dispatched electronically, either as PDF attachments via email or through EDI for customers integrated with NextTech’s systems. Revenue recognition follows **IFRS 15 standards**, meaning that for multi-year SaaS contracts, revenue is deferred and recognized ratably over the subscription period. This ensures compliance with accounting regulations while providing accurate financial reporting.

**3.4 Payment Collection & Cash Application**

When payments are received—whether via bank transfer, credit card, or digital wallets—SAP’s **cash application module** automatically matches incoming transactions to open invoices. This matching process relies on unique payment references, reducing manual reconciliation efforts. In cases where payments cannot be matched (e.g., missing invoice numbers), the system flags them for review by the finance team, who investigate and resolve discrepancies.

For overdue invoices, NextTech employs a structured **collections process**. Initially, customers receive automated payment reminders through Salesforce. If payments remain outstanding, the collections team escalates the matter, first with gentle follow-ups and later with formal dunning letters. Persistent delinquencies may trigger account holds or legal action, though such measures are rare due to NextTech’s proactive credit management.

**3.5 Customer Support & Dispute Resolution**

Despite automation, disputes occasionally arise—whether due to billing errors, delivery delays, or service issues. When a customer raises a concern, a ticket is logged in **ServiceNow**, NextTech’s IT service management platform. The ticket is routed to the appropriate team (finance for billing disputes, logistics for shipping problems, or IT for SaaS access issues).

The finance team reviews disputed invoices in SAP, cross-referencing contracts and delivery records. If an error is confirmed, they issue credit notes or refunds, with all adjustments recorded for audit purposes. For service-related complaints, the IT team uses Azure analytics to diagnose SaaS performance problems, while logistics coordinates with carriers for shipment investigations. Throughout this process, Salesforce ensures that customer communication is tracked, maintaining transparency and accountability.

**4. System Integration & Automation**

* **SAP S/4HANA** serves as the core ERP for order management, billing, and accounting.
* **Salesforce CRM** manages customer interactions and sales pipelines.
* **ServiceNow** handles customer disputes and IT service requests.
* **Microsoft Azure** supports analytics for demand forecasting and real-time reporting.

**5. Key Performance Indicators (KPIs)**

NextTech monitors the efficiency and effectiveness of its Order-to-Cash (O2C) process through well-defined KPIs. These metrics are tracked in real-time using SAP S/4HANA analytics and Microsoft Azure Power BI dashboards, ensuring continuous improvement and alignment with industry best practices.

1. Order Cycle Time (From Order Receipt to Fulfillment)

* Target: 5 days for standard smart automation systems / Instant for SaaS activations
* Industry Benchmark: 7-10 days (manufacturing), <24 hours (SaaS)
* Measurement:
  + For physical products, the clock starts when an order enters SAP and stops when the shipment is confirmed.
  + For SaaS subscriptions, activation time is measured from contract signing to provisioning completion in Azure.

2. Invoice Accuracy Rate

3. Days Sales Outstanding (DSO)

* Target: 42 days
* Industry Benchmark: 45-60 days (B2B manufacturing & SaaS)
* Measurement:
  + (Total Accounts Receivable ÷ Annual Revenue) × 365 days.

4. First-Pass Payment Match Rate

* Target: 90% of payments auto-reconciled in SAP
* Industry Benchmark: 80-85%
* Measurement:
  + Percentage of payments matched to invoices without manual intervention.
* Common Exceptions:
  + Missing payment references (e.g., customer omits invoice numbers).
  + Partial payments due to disputes.

5. Customer Satisfaction (CSAT) Post-Transaction

* Target: 4.5/5 average score
* Industry Benchmark: 4.2/5
* Measurement:
  + Survey sent after delivery (hardware) or onboarding (SaaS).
  + Rated on ease of ordering, invoicing clarity, and support responsiveness.
* Critical Drivers:
  + Transparency in delivery timelines (tracking integration via SAP).
  + Dispute resolution speed (ServiceNow SLA: 48-hour turnaround).

KPI Reporting & Governance

* Frequency:
  + Daily: DSO, payment matching (Finance Team).
  + Weekly: Order cycle time (Operations).
  + Monthly: CSAT trends (Customer Success).
* Tools:
  + SAP Analytics Cloud for real-time cash flow dashboards.
  + Azure Synapse for predictive DSO modeling.
* Accountability:
  + CFO owns DSO and invoice accuracy.
  + COO owns order cycle time.